

FISCAL NOTE

Bill #: SB0409

Title: Development plan for otter creek tracts

Primary Sponsor: Stapleton, C

Status: As Introduced

| | | | |
|-------------------|------|---------------------------------|------|
| Sponsor signature | Date | Chuck Swysgood, Budget Director | Date |
|-------------------|------|---------------------------------|------|

Fiscal Summary

| | FY 2004 Difference | FY 2005 Difference |
|--|-------------------------------|-------------------------------|
| Expenditures: | | |
| General Fund | \$300,000 | \$0 |
| State Special Revenue | \$0 | \$0 |
| Revenue: | | |
| State Special Revenue | \$0 | \$0 |
| Net Impact on General Fund Balance: | (\$300,000) | \$0 |

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Environmental Quality (DEQ)

1. This bill would not directly affect DEQ, because the purpose of the bill is to promote leasing of coal reserves in the Otter Creek area that the state acquired from the federal government in 2002. The Department of Natural Resources and Conservation (DNRC) is the administering agency for leasing of state coal. DEQ involvement would emanate from the need for DNRC or private companies to secure prospecting permits from DEQ to collect coal resource data on these tracts. In addition, DNRC may want to consult with DEQ on various factors to be considered in selecting coal reserves to be offered for lease.
2. In the long term, leasing of coal tracts in Otter Creek could lead to the submittal of mine, air quality, and water discharge permit applications to DEQ for processing, evaluation, and environmental review under DEQ's pertinent regulatory programs. Also, if mining activity were to result from the leasing activities promoted by this bill, there may be long-term fiscal impacts (both positive and negative) on local governments and the Northern Cheyenne Tribe.

Department of Natural Resources and Conservation (DNRC)

3. Department of Natural Resources and Conservation (DNRC) would contract for archaeological survey, coal resource and leasehold market evaluation at a total estimated cost of \$300,000. Timing of

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(continued)

expenditures is uncertain; therefore a biennial one-time only appropriation is requested to allow logical planning and completion of contracted work.

4. All coal tracts belong to the common school trust. Increase in expenditures from trust administration account would therefore be funded from common school mineral revenues, thereby decreasing the net amount deposited into the guarantee account. Other trust revenues would not be impacted.
5. When the revenue to the guarantee account is reduced, the expenditures of districts are not reduced. State general fund will back fill the loss in revenue to the guarantee fund for schools.

FISCAL IMPACT:**Department of Natural Resources and Conservation (Pgm 35)**

| (biennial appropriation) | FY 2004 <u>Difference</u> | FY 2005 <u>Difference</u> |
|--------------------------|------------------------------|------------------------------|
|--------------------------|------------------------------|------------------------------|

Expenditures:

| | | |
|--------------------|-----------|-----|
| Operating Expenses | \$300,000 | \$0 |
|--------------------|-----------|-----|

Funding of Expenditures:

| | | |
|---|------------------|----------|
| General Fund (01) | \$300,000 | \$0 |
| State Special Revenue (02) Trust Admin | 300,000 | 0 |
| State Special Revenue (02) Guarantee Acct | <u>(300,000)</u> | <u>0</u> |
| TOTAL | \$300,000 | \$0 |

Revenues:

| | | |
|---|--------------------|----------|
| State Special Revenue (02) Trust Admin | \$300,000 | \$0 |
| State Special Revenue (02) Guarantee Acct | <u>(\$300,000)</u> | <u>0</u> |
| Total | \$0 | \$0 |

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

| | | |
|---|-------------|-----|
| General Fund (01) | (\$300,000) | \$0 |
| State Special Revenue (02) Trust Admin | \$0 | \$0 |
| State Special Revenue (02) Guarantee Acct | \$0 | \$0 |

LONG-RANGE IMPACTS:

1. Preparation of various inventories and assessments will enable the DNRC to prepare a lease sale package of tracts for auction. In conjunction with the other Otter Creek mineral owner, coal reserves of 500 million tons or more may be developed in the next ten years.
2. Assuming a production rate of 15 million tons per year and average coal price of \$10 per ton, royalty revenue of approximately \$10 million per year may be generated on behalf of the common school trust, with a mine life of 25 – 30 years. (Assuming 12.5 percent royalty and 50 percent ownership of royalties).
3. Under the same assumptions, Montana production-based taxes of approximately \$42 million per year may be generated. (Assuming a tax of 28 percent)